

**Senate Study Bill 3204 - Introduced**

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED DEPARTMENT OF  
REVENUE BILL)

**A BILL FOR**

1 An Act relating to the administration of the tax and related  
2 laws of the department of revenue, including powers and  
3 duties of the director and administration of the individual  
4 income tax, inheritance tax, motor fuel and special fuel  
5 taxes, and including retroactive applicability provisions.  
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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DIVISION I

POWER AND DUTIES OF THE DIRECTOR

Section 1. Section 421.17, Code 2014, is amended by adding the following new subsection:

NEW SUBSECTION. 33. At the director's discretion, to receive and retain in an electronic format any record, application, tax return, deposit, report, or any other information or document required to be submitted to the department.

DIVISION II

INDIVIDUAL INCOME TAX

Sec. 2. Section 422.5, subsection 3, paragraph a, Code 2014, is amended to read as follows:

a. The tax shall not be imposed on a resident or nonresident whose net income, as defined in section 422.7, is thirteen thousand five hundred dollars or less in the case of married persons filing jointly or filing separately on a combined return, heads of household, and surviving spouses or nine thousand dollars or less in the case of all other persons; but in the event that the payment of tax under this division would reduce the net income to less than thirteen thousand five hundred dollars or nine thousand dollars as applicable, then the tax shall be reduced to that amount which would result in allowing the taxpayer to retain a net income of thirteen thousand five hundred dollars or nine thousand dollars as applicable. The preceding sentence does not apply to estates or trusts. For the purpose of this subsection, the entire net income, including any part of the net income not allocated to Iowa, shall be taken into account. For purposes of this subsection, net income includes all amounts of pensions or other retirement income, except social security benefits excluded under section 422.7, subsection 13, paragraph "d", received from any source which is not taxable under this division as a result of the government pension exclusions in section 422.7, or any other state law. If the combined net

1 income of a husband and wife exceeds thirteen thousand five  
2 hundred dollars, neither of them shall receive the benefit  
3 of this subsection, and it is immaterial whether they file a  
4 joint return or separate returns. However, if a husband and  
5 wife file separate returns and have a combined net income of  
6 thirteen thousand five hundred dollars or less, neither spouse  
7 shall receive the benefit of this paragraph, if one spouse has  
8 a net operating loss and elects to carry back or carry forward  
9 the loss as provided in section 422.9, subsection 3. A person  
10 who is claimed as a dependent by another person as defined in  
11 section 422.12 shall not receive the benefit of this subsection  
12 if the person claiming the dependent has net income exceeding  
13 thirteen thousand five hundred dollars or nine thousand dollars  
14 as applicable or the person claiming the dependent and the  
15 person's spouse have combined net income exceeding thirteen  
16 thousand five hundred dollars or nine thousand dollars as  
17 applicable.

18 Sec. 3. Section 422.5, subsection 3B, paragraph a, Code  
19 2014, is amended to read as follows:

20 a. The tax shall not be imposed on a resident or nonresident  
21 who is at least sixty-five years old on December 31 of  
22 the tax year and whose net income, as defined in section  
23 422.7, is thirty-two thousand dollars or less in the case  
24 of married persons filing jointly or filing separately on a  
25 combined return, heads of household, and surviving spouses or  
26 twenty-four thousand dollars or less in the case of all other  
27 persons; but in the event that the payment of tax under this  
28 division would reduce the net income to less than thirty-two  
29 thousand dollars or twenty-four thousand dollars as applicable,  
30 then the tax shall be reduced to that amount which would result  
31 in allowing the taxpayer to retain a net income of thirty-two  
32 thousand dollars or twenty-four thousand dollars as applicable.  
33 The preceding sentence does not apply to estates or trusts.  
34 For the purpose of this subsection, the entire net income,  
35 including any part of the net income not allocated to Iowa,

1 shall be taken into account. For purposes of this subsection,  
2 net income includes all amounts of pensions or other retirement  
3 income, except social security benefits excluded under section  
4 422.7, subsection 13, paragraph "d", received from any source  
5 which is not taxable under this division as a result of the  
6 government pension exclusions in section 422.7, or any other  
7 state law. If the combined net income of a husband and wife  
8 exceeds thirty-two thousand dollars, neither of them shall  
9 receive the benefit of this subsection, and it is immaterial  
10 whether they file a joint return or separate returns. However,  
11 if a husband and wife file separate returns and have a combined  
12 net income of thirty-two thousand dollars or less, neither  
13 spouse shall receive the benefit of this paragraph, if one  
14 spouse has a net operating loss and elects to carry back or  
15 carry forward the loss as provided in section 422.9, subsection  
16 3. A person who is claimed as a dependent by another person as  
17 defined in section 422.12 shall not receive the benefit of this  
18 subsection if the person claiming the dependent has net income  
19 exceeding thirty-two thousand dollars or twenty-four thousand  
20 dollars as applicable or the person claiming the dependent  
21 and the person's spouse have combined net income exceeding  
22 thirty-two thousand dollars or twenty-four thousand dollars as  
23 applicable.

24 Sec. 4. RETROACTIVE APPLICABILITY. This division of this  
25 Act applies retroactively to January 1, 2014, for tax years  
26 beginning on or after that date.

27 DIVISION III

28 INHERITANCE TAX

29 Sec. 5. Section 450.94, subsection 2, Code 2014, is amended  
30 to read as follows:

31 2. Unless a return is not required to be filed pursuant to  
32 section 450.22, subsection 3, or section 450.53, subsection  
33 1, paragraph "b", the taxpayer shall file an inheritance tax  
34 return on forms to be prescribed by the director of revenue on  
35 or before the last day of the ninth month after the death of

1 the decedent. When an inheritance tax return is filed, the  
2 department shall examine it and determine the correct amount of  
3 tax. If the amount paid is less than the correct amount due,  
4 the department shall notify the taxpayer of the total amount  
5 due together with any penalty and interest which shall be  
6 computed as a sum certain if paid on or before, with interest  
7 computed to the last day of the month in which the notice is  
8 dated, ~~or on or before the last day of the following month if~~  
9 ~~the notice is dated after the twentieth day of a month and~~  
10 ~~before the first day of the following month.~~

11 DIVISION IV

12 MOTOR FUEL AND SPECIAL FUEL TAXES

13 Sec. 6. Section 452A.64, Code 2014, is amended to read as  
14 follows:

15 **452A.64 Failure to file return — incorrect return.**

16 If a return required by this chapter is not filed, or if a  
17 return when filed is incorrect or insufficient ~~and the filer~~  
18 ~~fails to file a corrected or sufficient return within twenty~~  
19 ~~days after the same is required by notice from the appropriate~~  
20 ~~state agency,~~ the appropriate state agency shall determine the  
21 amount of tax due. The determination shall be made from all  
22 information that the appropriate state agency may be able to  
23 obtain and, if necessary, the agency may estimate the tax on  
24 the basis of external indices. The appropriate state agency  
25 shall give notice of the determination to the person liable  
26 for the tax. The determination shall fix the tax unless the  
27 person against whom it is assessed shall, within sixty days  
28 after the giving of notice of the determination, apply to  
29 the director of the appropriate state agency for a hearing  
30 or unless the taxpayer contests the determination by paying  
31 the tax, interest, and penalty and timely filing a claim for  
32 refund. At the hearing, evidence may be offered to support  
33 the determination or to prove that it is incorrect. After the  
34 hearing, the director shall give notice of the decision to the  
35 person liable for the tax. The findings of the appropriate

1 state agency as to the amount of fuel taxes, penalties, and  
2 interest due from any person shall be presumed to be the  
3 correct amount and in any litigation which may follow, the  
4 certificate of the agency shall be admitted in evidence, shall  
5 constitute a prima facie case and shall impose upon the other  
6 party the burden of showing any error in the findings and the  
7 extent thereof or that the finding was contrary to law.

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EXPLANATION

9           The inclusion of this explanation does not constitute agreement with  
10           the explanation's substance by the members of the general assembly.

11       This bill relates to the administration of the tax and  
12 related laws by the department of revenue.

13       DIVISION I — POWERS AND DUTIES OF THE DIRECTOR. Division  
14 I amends the powers and duties of the director of revenue to  
15 allow the director, at the director's discretion, to receive  
16 and retain in an electronic format any record, application, tax  
17 return, deposit, report, or any other information or document  
18 required to be submitted to the department.

19       DIVISION II — INDIVIDUAL INCOME TAX. Division II relates  
20 to the individual income tax. The division amends the  
21 calculation of net income for purposes of determining whether  
22 or not a taxpayer's net income exceeds the amount at which  
23 the individual income tax will not be imposed pursuant to  
24 Code section 422.5(3) or Code section 422.5(3B) and for which  
25 an individual income tax return is not required to be filed,  
26 and for purposes of calculating the alternate tax in those  
27 same Code sections. Under current law, all pension or other  
28 retirement income from any source is required to be included in  
29 the calculations, regardless of whether the income is otherwise  
30 excluded from the individual income tax under Iowa law. The  
31 division excludes from the calculations all social security  
32 benefits excluded from the individual income tax under Iowa  
33 law.

34       The division applies retroactively to January 1, 2014, for  
35 tax years beginning on or after that date.

1 DIVISION III — INHERITANCE TAX. Division III relates to the  
2 inheritance tax. The division eliminates the requirement that  
3 notices of assessment issued after the twentieth day of a month  
4 include interest calculated for the next month.

5 DIVISION IV — MOTOR FUEL AND SPECIAL FUEL TAXES. Division  
6 IV relates to motor fuel and special fuel taxes. Current  
7 law requires that the department of revenue or the state  
8 department of transportation, as applicable, send a notice to  
9 filers of fuel tax returns if the return is either incorrect  
10 or insufficient, giving the taxpayer 20 days to file a  
11 corrected return. If a correct or sufficient return is not  
12 filed, the department of revenue or the state department of  
13 transportation, as applicable, is authorized to determine the  
14 amount of tax due and send a notice of assessment to the person  
15 liable for the tax. The division strikes the 20-day notice  
16 requirement.